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OFFICE OF FINANCIAL INSTITUTIONS
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July 6, 2007

Rose Patenaude
Group Director/Licensing Department
HSBC
2700 Sanders Road
Prospects Heights, IL 600790

Subject: Proposal to Offer Credit Cards by Household Finance Corporation II, Household Industrial Loan Company of Kentucky, Beneficial Kentucky, Inc., and Beneficial Loan Corporation of Kentucky.

Dear Ms. Patenaude:


The Office of Financial Institutions has reviewed the proposals to offer credit cards by the above named licensees. After much deliberation and discussion, we are approving the proposal under the following conditions. These loans must be retained on the licensees' books; however, you may outsource the servicing to your affiliated bank. The changes will result in the income and expenses of the product being reflected on the licensees' income statement. These loans must be on terms that are equal to or more favorable than the existing consumer loan product. This includes rates and fees charged. Our licensees can either originate the credit cards directly or the affiliated bank can generate the credit cards and immediately sell back to our licensee.

Additionally, Household Financial Corporation II and Beneficial Kentucky, Inc. must apply for Mortgage Company Licenses, as your 2006 Annual Report shows that your primary business is no longer to originate consumer loans. In the application process you must designate one location that the records will be available for examination. All mortgage loan officers originating mortgages in Kentucky must obtain proper registration. Applications for the license and registrations should be submitted by September 30, 2007.

Ms. Patenaude
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To reiterate, the offering of the bank's credit card products will be permitted by the "other business" provision of KRS 286.4-470(1) provided that the activities are limited to the restrictions above. Provided those conditions are met, these offerings will not be considered violations of Kentucky Revised Statutes. Please advise if you need additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "C. Lawrence", with a stylized circular mark to the left.

Cordell G. Lawrence
Executive Director

cc: File, Thompson, Jennings